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OCTOBER TERM, 1996

RMC INTERNATIONAL, LTD., a corporation,
MICHAEL RESMO, an individual,
JOSEPH MALAGA, an individual,
Petitioners,

vs.

SENGOKU WORKS, LTD., a corporation,
Respondent.

PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PETITIONERS' REPLY BRIEF

JAN P. WEIR
Counsel of Record

WILLIAM POMS
ALAN P. BLOCK
STEVEN W. SMYRSKI

OPPENHEIMER POMS SMITH

2029 Century Park East, Suite 3800
Los Angeles, California 90067
(310) 788-5000

Attorneys for Petitioners

Lawyers Brief Service • Appellate Brief Printers • (213) 613-1013 • (714) 720-1510

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2029 Century Park East, Suite 3800
Los Angeles, California 90067
(310) 788-5000

Attorneys for Petitioners

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PETITIONERS' REPLY BRIEF

I. Protecting Product Shapes as Trademarks Under the Lanham Act Violates Art. I, § 8, cl. 8 of the Constitution

Sengoku misstates the issues and arguments raised in RMC's Petition. The fundamental Constitutional issue raised by RMC's Petition is whether granting trademark protection under § 43(a) of the Lanham Act over the shape of a product in the public domain violates Article I, § 8, cl. 8 of the Constitution. This is an issue of national importance that effects the efficient operation of the federal patent system and the maintenance of a free and competitive economy as envisioned by the Constitution.

Sengoku does not dispute that the shape of the kerosene heater that it claims is its exclusive trademark was in the public domain and that the same functional features that allegedly make up its product shape trademark were used by others, in the same combination, prior to Sengoku. The Lanham Act cannot be interpreted as giving trademark rights to public domain product shapes, because to do so would remove information from the public domain and grant perpetual protection to a device too lacking in novelty to merit patent protection, in violation of Art. I, § 8, cl. 8.

Sengoku argues that this case is moot because RMC is selling a new *Dyna-Glo* heater (the "*Dyna-Glo* (III)" heater) which the District Court approved. The argument is both improper and wrong. The *Dyna-Glo* (III) heater was not designed until after trial and is not in evidence, and therefore it is improper for Sengoku to even raise the heater on appeal. *See, Garcia v. American Marine Corp.*, 432

F.2d 6, 8 (5th Cir. 1970) ("It is fundamental that facts not presented at trial may not be asserted on appeal.")

More importantly, Sengoku misstates the features of the *Dyna-Glo* (III) heater. The "*Dyna-Glo* (III)" heater has a curved top. (This can be seen from a review of the drawing of the heater attached as Appendix N to Sengoku's brief in opposition.) Curving the top served no function, added to the cost of the heater, and made the heater more difficult to manufacture. RMC added the curved top after the District Court had rejected every other rectangular (four straight sides) heater design.[1]

RMC also added a false panel to the left side solely for the purpose of increasing the heater's size and giving a centered look to the burner chamber so that the heater would not have the offset to the left appearance that was allegedly a part of Sengoku's trademark. RMC also redesigned the shut-off mechanism from a lever to a push button. To change to a push button shut-off switch, RMC had to redesign the internal shut-off mechanism. Thus, the *Dyna-Glo* (III) heater is not mechanically the same, and

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[1] The "*Dyna-Glo* (III)" heater is actually the fourth generation RMC heater. The first heater was the Wooshin manufactured KeroHeat heater. (RMC Pet. App. G2.) The second was the redesigned *Dyna-Glo* heater ("*Dyna-Glo* (I)") that was the subject of the contempt motion, trial, and appeal. (RMC Pet. App. G3.) After the District Court's contempt ruling, RMC attempted again to design a heater that would not violate the injunction ("*Dyna-Glo* (II)"). RMC changed the color scheme and graphics, the shape of the switches, the shut off mechanism from a lever to a push button, and extended the grill all the way across the front of the heater. This heater was also not in evidence at trial. Since the District Court's injunction was vague, RMC moved for "judicial approval" of *Dyna-Glo* (II). Sengoku argued that *Dyna-Glo* (II) infringed Sengoku's product shape trademark rights. The District Court ruled that RMC could not sell the *Dyna-Glo* (II) heater.

does not have the same functional features, as the Sengoku manufactured heater at issue. The *Dyna-Glo* (III) heater is more costly and difficult to manufacture and ship. If the heater had been in evidence at trial, it would only have established the functionality of the heater that Sengoku now claims is its exclusive trademark.[2]

The issue is not whether another heater can be designed regardless of cost, but whether a heater design that was in the public domain can be appropriated as someone's exclusive trademark. This Court's decisions in *Sears*, *Compco*, and *Bonito Boats* are relevant because they addressed the purpose and policy underlying Art. I, § 8, cl. 8 and the federal patent statutes which preserve the public's right to copy and use that which is in the public domain. *Sears* and *Compco* are particularly relevant because they found that the policy underlying Art. I, § 8, cl. 8 and the federal patent laws overrides the States' ability to prevent confusion by expanding unfair competition law to protect product shapes. *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225, 231-32 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964).

The Lanham Act must be interpreted consistently with the limitations placed on Congress by Art. I, § 8, cl. 8

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[2] It is worth noting that, in spite of these changes, Sengoku nevertheless contended that the *Dyna-Glo* (III) heater infringed Sengoku's product shape trademark rights and opposed RMC's motion for judicial approval of the design. In other words, if Sengoku had its way, RMC would not be selling the *Dyna-Glo* (III) heater in spite of all of its differences. This not only demonstrates Sengoku's ever changing position on what constitutes its product shape trademark and its scope, but the uncertainty that results when trademark protection is given to product shapes without the "careful criteria of patentablility developed by Congress over the last 200 years." *Bonito Boats*, 489 U.S. at 156.

of the Constitution, and thus the Lanham Act cannot be interpreted to give trademark protection to a public domain product shape. To grant trademark protection to a public domain product shape under the Lanham Act would create the very same irreconcilable conflict with the federal patent laws that this Court found intolerable with respect to the States in *Sears* and *Compco*. (See, RMC's Pet. at 12-15.)

Sengoku relies on the Seventh Circuit's decisions in *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 643 (7th Cir. 1993) and *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 337 (7th Cir. 1985). Both cases conclude that there is no conflict between the federal patent laws and granting "perpetual trademark" protection to product shapes under the Lanham Act because such protection requires proof of secondary meaning and a likelihood of confusion. However, this Court expressly held in *Sears*, 376 U.S. at 232 and *Compco*, 376 U.S. at 238, that proof of secondary meaning or likelihood of confusion was not sufficient to overcome the objectives of Art. I, § 8, cl. 8. If proof of likelihood of confusion or secondary meaning eliminates the conflict with the Constitution and the patent laws, then state unfair competition law, which also requires the same proof, could also protect product shapes, contrary to this Court's rulings in *Sears* and *Compco*. The Ninth Circuit's decision in *Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F.2d 512 (9th Cir. 1989) cited by Sengoku conflicts with this Court's decision in *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 59 S.Ct. 109, 83 L.Ed. 73 (1938) in that it protected as a trademark the shape of a product that was the subject of an expired utility patent. The *Clamp* decision only demonstrates the current conflicts in the case law.

The better view of the law was expressed by the Tenth Circuit in *Vorando Air Circulation Systems, Inc. v.*

Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995) and by Judge Cudahy in his dissent in *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 644-51 (7th Cir. 1993). Both Judge Cudahy and the Tenth Circuit concluded that a conflict does arise between the Constitution, federal patent laws and the Lanham Act when the Lanham Act is interpreted to give trademark protection to product shapes. Consistent with this Court's decisions in *Sears* and *Compco*, both concluded that the Constitutional policy of preserving the public's right to free access to information in the public domain prohibits protecting product shapes as trademarks.[3]

This is not a hypothetical case. In this case Sengoku obtained exclusive rights to use the shape of a kerosene heater that was once in the public domain. Sengoku received an injunction, $870,000 in damages and attorneys' fees and caused RMC to recall over $1,000,000 worth of heaters. These are the same remedies available to patent owners. Sengoku obtained these remedies without meeting the patent law requirements of nonobviousness, novelty, disclosure, and notice. The conflict between the Constitution, patent laws and the Circuit Courts' interpretation of the Lanham Act that is the basis of RMC's Petition is that Sengoku has received damages, attorneys fees, and an injunction arising out of RMC's use of a heater

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[3] Sengoku appears to argue that this Court in *Bonito Boats* held that product shapes could be protected as "trade dress." (BIO at 7.) This was most clearly not the decision in *Bonito Boats*. In *Bonito Boats*, the Court expressly reaffirmed the reasoning of *Sears* and *Compco* that "efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions". *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989). When the Court in *Bonito Boats* used the term "trade dress," it was referring to "distinctive dress in the packaging of goods." *Id.* at 154.

design that the Constitution and patent laws have placed in the public domain, and should be free for anyone to use.[4]

II. Protecting Functional Product Features as a Part of a Combination Trademark Violates the Functionality Doctrine

Sengoku does not address the functionality issue raised in RMC's petition. The Ninth Circuit concluded that the shape of the heater at issue was functional. The error in the Ninth Circuit's decision is that after having concluded that the shape of the heater was functional, the Ninth Circuit nevertheless held that the functional features were protectable as a part of the overall trade dress of the product.[5] This view conflicts with the view of the Federal Circuit and the Restatement of Unfair Competition. Sengoku does not discuss the Ninth Circuit's finding of functionality, nor does it discuss the conflict in law that forms the basis of RMC's petition.

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[4] Sengoku's arguments regarding RMC's packaging are irrelevant and mistaken. Sengoku received injunctive relief, a product recall, and damages based on its product shape trademark claim. Further, Sengoku has apparently forgotten that the majority of RMC's radiant heaters were sold in the packaging of RMC's private label customer Lowe's. Sengoku has never contended that the Lowe's packaging infringes any of Sengoku's alleged rights. RMC repackaged the majority of the remaining radiant heaters in new packaging, which Sengoku has never contended infringed its alleged rights.

[5] Sengoku does not dispute that it has changed the definition of its product shape trademark throughout the proceedings below. (See RMC's Petition at pp. 6-8.) Without explanation, Sengoku has apparently come full circle and included color as a part of its alleged trademark in its brief in opposition. (Sengoku's BIO at 13.)

It is the functionality of the Sengoku manufactured heater that is at issue. The functionality doctrine ensures that cost effective and efficient designs remain free for all to use. The functionality doctrine recognizes that there may very well be other designs that are more costly or less efficient to manufacture. The fact that there may be other more costly designs does not mean that the cost effective functional design can be appropriated as a trademark. The functionality doctrine would mean nothing if cost effective designs could be appropriated merely because a more costly design could be made. Thus, the fact that RMC can manufacture a more costly heater because it has been enjoined from making a less costly design does not make the less costly design non-functional.

The Ninth Circuit's decision held that the functional features were protectable because they were combined with non functional features such as paint or graphics. The right to copy functional designs would be stripped of all meaning if overall functional designs were accorded trademark protection because they included a few arbitrary and nonfunctional features. *Textron, Inc. v. U.S. International Trade Commission*, 753 F.2d 1019, 1025 (Fed. Cir. 1985). RMC preserved the issue of whether the shape of Sengoku's heater was functional as evidenced by the fact that Ninth Circuit considered and decided this very issue.

A. Functional Features Cannot be Used to Establish Secondary Meaning and Likelihood of Confusion

Sengoku does not address whether RMC's use of features the Ninth Circuit found, and Sengoku admitted, were functional could be used to establish secondary meaning or likelihood of confusion. Sengoku admits that

the witnesses from its U.S. distributor (who Sengoku refers to as "heater industry witnesses") testified that they could distinguish heaters based on their "shape." When the Ninth Circuit found the shape functional, that testimony could not be used to establish secondary meaning or likelihood of confusion..

Copying cannot support a finding of a likelihood of confusion or secondary meaning when the copied features are functional. The functionality doctrine guarantees that functional designs can be copied by anyone even though the functional feature has acquired a secondary meaning or its use by another creates a likelihood of confusion. The functionality doctrine would be rendered meaningless if the very thing the doctrine preserves can be used to establish trademark rights.[6] The Ninth Circuit found the shape

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[6] There is considerable dispute among the Circuits over whether copying can be used to infer secondary meaning and a likelihood of confusion. (RMC's Petition at 17, n. 5.) Since RMC filed its petition, this Court issued its decision in *Warner Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, ___ U.S. ___, 117 S. Ct. 1040, 1052 (1997). In that case, the Court held that copying could not be used to limit the application of the doctrine of equivalents in patent infringement cases because copying could have been done for innocent reasons. The same rationale is applicable to product shape cases. Copying could have been for the permissible reason of using a functional design or an unprotectable public domain design. By the same token, the use of emotional terms such as "counterfeit" and "knock-off" is unwarranted, because such conclusory labels are contrary to the right to copy that the Constitution and the federal patent laws provide. *Bonito Boats*, 489 U.S. at 164 ("Appending the conclusionary label 'unscrupulous' to such competitive behavior merely endorses a policy judgment which the patent laws do not leave the States free to make. Where an item in general circulation is unprotected by patent, '[r]eproduction of a functional attribute is legitimate competitive activity.'")

functional and that RMC could use it, but at the same time held that RMC's use of the shape evidenced secondary meaning. If RMC was free to use the functional features, then the judgment should have been reversed because the functional features were the only common features used by the RMC heaters.

III. The Trademark Ownership Instruction Conflicted With the Statutory Presumption of Ownership

Sengoku does not dispute the clear statutory language of §§ 1057 (b) and 1115(a) or that RMC had a registration for the *KeroHeat* trademark in both the U.S. and Japan. Sengoku does not deny having admitted in writing, that *KeroHeat* was RMC's private label brand name. The trademark ownership instruction did not instruct the jury to give the presumption of ownership to RMC. Instead, the instruction gave the presumption of ownership to Sengoku, the manufacturer.

The portion of the jury instructions that Sengoku cites contained general background information on trademarks and did not state that RMC was the "presumed owner of the mark." The trademark ownership instruction appeared later in the jury instructions and in the context of the ownership issue instructed the jury that the manufacturer was the presumed owner, not RMC, the owner of the federal registration. (RMC's Pet. App. M1-M3.) Congress' attempt to create a uniform federal trademark law is frustrated when the Courts ignore the presumption expressly provided for in the statute.[7]

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[7] Sengoku's reliance on the TMEP is misplaced. The sections that Sengoku cites do not relate to a dealer's right in its own private label brand name. The law has long recognized a (cont'd . . .)

Sengoku's argument that RMC did not preserve its objections to the trademark ownership instruction was made to the Ninth Circuit and rejected, as evidenced by the fact that the Court considered the issue. The record shows that RMC expressly objected to the instruction at the instruction conference. (See, BIO App.at Q5 first ¶.)

CONCLUSION

The issues raised by this Petition are of national importance. They are important to the maintenance of a free and competitive economy and efficient operation of the federal patent system. The lower courts are creating a body of law that conflicts with the Constitution, the federal patent statutes and the decisions of this Court. The result is a confused body of law wherein one rule guarantees a right to copy that which another rule protects. The Court should grant this petition to address and resolve this conflict.

Respectfully submitted,

Jan P. Weir
Counsel of Record
William Poms
Alan P. Block
Steven W. Smyrski
OPPENHEIMER POMS SMITH
Attorneys for Petitioners
RMC INTERNATIONAL LTD.
Michael RESMO, and Joseph MALAGA

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dealers right to its private label brand name. *Menendez v. Holt*, 128 U.S. 514, 32 L.Ed. 526, 9 S. Ct. 143, 144 (1888) 2 McCarthy, *Trademarks And Unfair Competition*, Section 16.46[1] at 16-63 (1996) ("A plethora of decisions have followed *Menendez* in upholding the validity of a dealer's mark.")